

House Bill 5169

House Committee on Tax Policy

February 17, 2016 at 10:30 AM

Background: PA 161 of 2013

- In 2013, PA 161 was enacted. It amended the General Property Tax Act
- Fully exempts the principal residences of 100% service-related disabled veterans and their surviving spouses from all property taxes.
- Prior to enactment, very few veterans qualified, and it was seen as a way to open up that exemption to our disabled veterans.

What does a Tax Exempt Home Look Like?



Royal Oak, MI
2 Bedrooms, 2 Baths
Market Value: \$112,910

Property Taxes
Before PA 161: \$2,540
After: \$0

What does a Tax Exempt Home Look Like?



Grand Ledge, MI
3 Bedrooms, 3 Baths
2249 Sq. Ft.
2.57 Acres
Market Value: \$319,900

Property Taxes
Before PA 161: \$5,699.77
After: \$0

What does a Tax Exempt Home Look Like?



Farmington Hills, MI
3 Bedrooms, 2.5 baths
2690 Sq. Ft.
Market Value: \$326,000



Property Taxes
Before PA 161: \$5,717
After: \$0

What does a Tax Exempt Home Look Like?



Lansing, MI
4 Bedrooms, 3 Baths
3286 Sq. Ft.
Market Value: \$349,900

Property Taxes
Before PA 161: \$6,108.58
After: \$0

PA 161 of 2013 – Local and School Aid Fund Revenue Impact

- Total loss of local property tax collection is estimated at \$16 million.
- Of that \$16 million, roughly \$3.5 million would have gone to the School Aid Fund.

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- Eliminates the veteran tax exemption from the General Property Tax Act
- Provides an enhanced Homestead Property Tax Credit for 100% service-related disabled veterans in the Income Tax Act.
- Income or Taxable Value would not disqualify these veterans from claiming the Homestead Property Tax Credit.

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- Prior to 2018: Total credit capped at \$1,200
- 2018 – 2020: Total credit adjusted, but not to exceed \$1,500.
- 2021: Maximum amount of the credit is adjusted according to the US Consumer Price Index as set by the US Department of Labor, Bureau of Labor Statistics.
- Treasury adjusts the Michigan Tax Return Form

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- Creates an equally-distributed tax credit for all qualifying veterans, regardless of income or taxable value of the property.
- Restores property tax revenues to local governments and School Aid Fund.
- State would be responsible for determining how to fund the Homestead Property Tax Credit to those qualifying veterans.
- The unmarried spouse of a deceased veteran who qualified can still receive the tax credit.

Thank you for your consideration.

Questions?

